

Ordinance No. 119762

Council Bill No. 112950

AN ORDINANCE relating to employee benefits, amending Section 4.50.010 of the Seattle Municipal Code to allow the Personnel Director to administer self-insured medical and dental plans; and creating a Reserve Account of the Health Care Subfund.

The City of Seattle
Council Bill/Ordinance

11-15-99 Budget

11-22-99 Full

CF No. _____

Date Introduced: <u>10-11-99</u>	
Date 1st Referred: <u>10-11-99</u>	To: (committee) <u>Budget</u>
Date Re - Referred:	To: (committee)
Date Re - Referred:	To: (committee)
Date of Final Passage: <u>11-22-99</u>	Full Council Vote: <u>9-0</u>
Date Presented to Mayor: <u>11-23-99</u>	Date Approved: <u>11/23/99</u>
Date Returned to City Clerk: <u>11/24/99</u>	Date Published: <u>3PM</u> T.O. <input checked="" type="checkbox"/> F.T. <input type="checkbox"/>
Date Vetoes by Mayor:	Date Veto Published:
Date Passed Over Veto:	Veto Sustained:

This file is complete and ready

Law Department

Law Dept. Review

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The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: Donaldson
Councilmember

Committee Action:

(E)

11-15-99 Budget Committee: Pass As Amended 7-0
(Excused: Drago, Pedlowowski)

11-22-99 Full Council: Passed 9-0

This file is complete and ready for presentation to Full Council. Committee: _____

(Initial/Date)

Law Department

Law Dept. Review

OHP
Review

City Clerk
Review

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ORDINANCE 119762

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3 AN ORDINANCE relating to employee benefits, amending Section 4.50.010 of the Seattle Municipal
4 Code to allow the Personnel Director to administer self-insured medical and dental plans; and
5 creating a Reserve Account of the Health Care Subfund.

6 WHEREAS, the Personnel Director is authorized to enter into agreements to provide medical and dental
7 benefits to City employees and retirees; and

8 WHEREAS, financial economies and benefits can be achieved by self-funding previously insured health
9 care plans; and

10 WHEREAS, the State Risk Manager requires local governing body approval of self-funding; and

11 WHEREAS, the joint labor management Health Care Committee has studied and endorsed the concept
12 of self-insurance; Now, Therefore,

13 BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

14 **Section 1** To create an account within the Health Care Subfund, Section 2 of Ordinance 114893, as
15 last amended by Section 9 of Ordinance 117977, is further amended as follows:

16 Section 2. There is hereby created in the City Treasury, as a subfund of the General Fund, a
17 "Health Care Subfund" into which are paid all City, ~~((and))~~ employee, and eligible retiree contributions
18 to the dental and health care programs contemplated by this ordinance and all money otherwise accruing
19 to the City under such programs, and from which special funds shall be paid all liabilities incurred by
20 the City by reason of such dental and health care programs, and such other expenditures as may be
21 authorized by ordinance. A separate Reserve Account of the Health Care Subfund is hereby created to
22 hold the reserves necessary to obtain and maintain approval by the State of Washington Risk Manager
23 for the City's self-insured medical and dental health care program authorized under Chapter 48.62
24 RCW. The Reserve Account shall maintain a balance which is equal to at least two and one half months
of projected health care claims and administrative costs under the self-insured plans, and shall be
administered in compliance with applicable law including State of Washington self-insurance

1 regulations, Chapter 236-22 WAC. The Finance Director is authorized to transfer funds from the Health
2 Care Subfund into the Reserve Account in order to establish and maintain the appropriate level of
3 reserves.

4
5 **Section 2** Section 4.50.010 of the Seattle Municipal Code is amended as follows:

6 **4.50.010 Administration of certain benefit programs.**

7 Consistent with annual budgets of the City and other applicable City law, the Personnel
8 Director is hereby authorized and directed to:

9 A. Enter into agreements for dental, life, long-term disability, and voluntary accidental death and
10 dismemberment insurance benefits with such providers as he or she may determine to be the most
11 responsive providers for such benefits;

12 B. Administer and make such modifications to the City's group life, long-term disability, and
13 voluntary accidental death and dismemberment insurance coverages for the betterment of eligible City
14 officers' and employees' health and welfare for represented employees whose unions have negotiated
15 benefit changes, and for nonrepresented employees as the Personnel Director deems appropriate,
16 provided such modifications fall within biennial budget limitations established by the City Council;

17 C. Enter into agreements with one (1) or more medical and hospitalization benefits providers, at least
18 one (1) of which shall be a health maintenance organization; ~~((and))~~

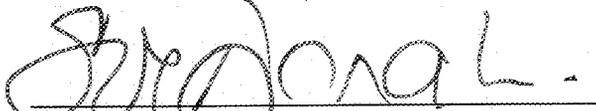
19 D. Administer and make such modifications to the City's medical plans and group dental plans, for the
20 betterment of eligible City officers' and employees' health and welfare as may be agreed upon by the
21 Joint Labor-Management Health Care Committee for employees whose union representatives are a party
22 to the memorandum of understanding forming that committee, for represented employees whose unions
23 are not a party to the memorandum of understanding but have negotiated benefit changes otherwise, and
24

1 for nonrepresented employees as the Personnel Director deems appropriate, provided such modifications
2 fall within biennial budget limitations established by the City Council; and

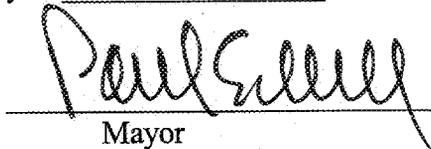
3 E. Administer medical and dental health care plans on a self-insured basis pursuant to
4 authority of Chapter 48.62 RCW.

5 **Section 3** This ordinance shall take effect and be in force thirty (30) days from and after its
6 approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after
7 presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

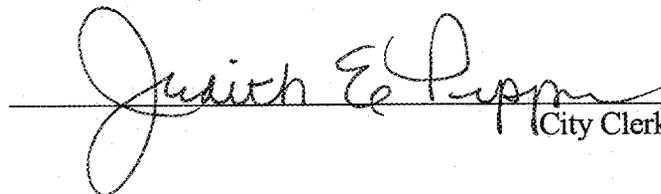
8 Passed by the City Council the 22nd day of November 1999, and signed by me in open
9 session in authentication of its passage this 22nd day of November, 1999.

10 
11 _____
12 President _____ of the City Council

13 Approved by me this 23 day of November, 1999.

14 
15 _____
16 Mayor

17 Filed by me this 24 day of November, 1999.

18 
19 _____
20 City Clerk

21 (Seal)



City of Seattle

Paul Schell, Mayor

Executive Services Department

Dwight D. Dively, Director

MEMORANDUM

DATE: October 7, 1999

TO: Honorable Sue Donaldson, President
Seattle City Council

FROM:


Dwight Dively
ESD Director


Norma McKinney
Personnel Director

SUBJECT: Self-Insuring Medical Plans

This memorandum transmits an ordinance amending Section 4.50.010 of the SMC to allow the Personnel Director to administer employee and retiree medical and dental plans on a self-insured basis and establishing a reserve account in the Health Care Subfund to safeguard the financial reserves mandated by the State Risk Manager.

The state requires self-insured entities to maintain a reserve account equal to at least two and a half months of health care claims and administrative costs. Depending upon final calculations, the amount of the reserve account is currently projected to be approximately \$2 million. The City will establish the reserve by transferring funds already available from the balance within the Health Care Subfund.

The Personnel Director is already authorized to enter into agreements to provide medical and dental plans for the benefit of City employees and retirees. This amendment allows the Personnel Director to alter the funding arrangement from a fully insured to a self-funded arrangement, while still contracting out for the claims administration portion.

This change comes as a recommendation from the City's Labor Management Health Care Committee, which has been studying and supporting the concept of self-insurance for several years now. While some bargaining units have not endorsed the change for implementation this year, this Committee has included it as one critical and central component of an overall health care cost containment strategy because it reduces health care costs without any change to the benefits coverage.

Honorable Sue Donaldson
Seattle City Council
Page Two

Self insuring also eliminates the 2% State premium tax paid on all medical insurance products and provides the City with greater access to claims data and information. In order to be self insured, the City must comply with regulations from the State Risk Manager regarding funding and reserve levels, reporting, and other matters. The City will also have to purchase some excess insurance coverage, and for this first year, will continue to use the current insurance carriers (Regence Blue Shield and United Health Care) to administer claims. The City will also have to establish procedures for the payroll system to wire transfer estimated premiums to the claims administrator on a periodic basis.

Upon passage of this ordinance, we will proceed to make these changes, file the necessary paperwork with the State, and prepare communications materials to our employees for the upcoming open enrollment period. If you have any questions, please feel free to contact Sally Fox, Benefits and Safety Director at 4-7957 or Pat Schmidt, Benefits Manager at 4-7833. Thank you.

Attachment

cc: Sally Fox, ESD Personnel Division
Pat Schmidt, ESD Personnel Division

h:walathl:selfinsuranceordinance
100799



ORDINANCE _____

AN ORDINANCE relating to employee benefits, amending Section 4.50.010 of the Seattle Municipal Code to allow the Personnel Director to administer self-insured medical and dental plans; and creating a Reserve Account of the Health Care Subfund.

WHEREAS, the Personnel Director is authorized to enter into agreements to provide medical and dental benefits to City employees and retirees; and

WHEREAS, financial economies and benefits can be achieved by self-funding previously insured health care plans; and

WHEREAS, the State Risk Manager requires local governing body approval of self-funding, and

WHEREAS, the joint labor management Health Care Committee has studied and endorsed the concept of self-insurance; Now, Therefore,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1 To create an account within the Health Care Subfund, Section 2 of Ordinance 114893, as last amended by Section 9 of Ordinance 117977, is further amended as follows:

Section 2. There is hereby created in the City Treasury, as a subfund of the General Fund, a "Health Care Subfund" into which are paid all City, ~~((and))~~ employee, and eligible retiree contributions to the dental and health care programs contemplated by this ordinance and all money otherwise accruing to the City under such programs, and from which special funds shall be paid all liabilities incurred by the City by reason of such dental and health care programs, and such other expenditures as may be authorized by ordinance. A separate Reserve Account of the Health Care Subfund is hereby created to hold the reserves necessary to obtain and maintain approval by the State of Washington Risk Manager for the City's self-insured medical and dental health care program authorized under Chapter 48.62 RCW. The Reserve Account shall maintain a balance which is equal to at least two and one half months of projected health care claims and administrative costs under the self-insured plans, and shall be administered in compliance with applicable law including State of Washington self-insurance



1 regulations, Chapter 236.22 WAC. The Finance Director is authorized to transfer funds from the Health
2 Care Subfund into the Reserve Account in order to establish and maintain the appropriate level of
3 reserves.

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5 **Section 2** Section 4.50.010 of the Seattle Municipal Code is amended as follows:

6 **4.50.010 Administration of certain benefit programs.**

7 Consistent with annual budgets of the City and other applicable City law, the Personnel
8 Director is hereby authorized and directed to:

9 A. Enter into agreements for dental, life, long-term disability, and voluntary accidental death and
10 dismemberment insurance benefits with such providers as he or she may determine to be the most
11 responsive providers for such benefits;

12 B. Administer and make such modifications to the City's group life, long-term disability, and
13 voluntary accidental death and dismemberment insurance coverages for the betterment of eligible City
14 officers' and employees' health and welfare for represented employees whose unions have negotiated
15 benefit changes, and for nonrepresented employees as the Personnel Director deems appropriate,
16 provided such modifications fall within biennial budget limitations established by the City Council;

17 C. Enter into agreements with one (1) or more medical and hospitalization benefits providers, at least
18 one (1) of which shall be a health maintenance organization; ((and))

19 D. Administer and make such modifications to the City's medical plans and group dental plans, for the
20 betterment of eligible City officers' and employees' health and welfare as may be agreed upon by the
21 Joint Labor-Management Health Care Committee for employees whose union representatives are a party
22 to the memorandum of understanding forming that committee, for represented employees whose unions
23 are not a party to the memorandum of understanding but have negotiated benefit changes otherwise, and
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1 for nonrepresented employees as the Personnel Director deems appropriate, provided such modifications
2 fall within biennial budget limitations established by the City Council; and

3 E. Administer medical and dental health care plans on a self-insured basis pursuant to
4 authority of Chapter 48.62 RCW.

5 **Section 3** This ordinance shall take effect and be in force thirty (30) days from and after its
6 approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after
7 presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

8 Passed by the City Council the ____ day of _____, 1999, and signed by me in open
9 session in authentication of its passage this ____ day of _____, 1999.

10

11

President _____ of the City Council

12

Approved by me this ____ day of _____, 1999.

13

14

Mayor

15

16

Filed by me this ____ day of _____, 1999.

17

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City Clerk

19

(Seal)

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10
11 _____
12 President _____ of the City Council

13 Approved by me this ____ day of _____, 1999.

14 _____
15 Mayor

16 Filed by me this ____ day of _____, 1999.

17 _____
18 City Clerk

19 (Seal)

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STATE OF WASHINGTON - KING COUNTY

112995

City of Seattle, City Clerk

-ss.

No.

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:119762/ORD IN FUL

was published on

12/20/99

The amount of the fee charged for the foregoing publication is the sum of \$, which amount has been paid in full.

H. Patterson

Subscribed and sworn to before me on

12/20/99

McQuinn

Notary Public for the State of Washington, residing in Seattle

City of Seattle

ORDINANCE 119782

AN ORDINANCE relating to employee benefits, amending Section 4.50.010 of the Seattle Municipal Code to allow the Personnel Director to administer self-insured medical and dental plans; and creating a Reserve Account of the Health Care Subfund.

WHEREAS, the Personnel Director is authorized to enter into agreements to provide medical and dental benefits to City employees and retirees; and

WHEREAS, financial economies and benefits can be achieved by self-funding previously insured health care plans; and

WHEREAS, the State Risk Manager requires local governing body approval of self-funding; and

WHEREAS, the joint labor management Health Care Committee has studied and endorsed the concept of self-insurance; Now, Therefore,

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SECTION 2 Section 4.50.010 of the Seattle Municipal Code is amended as follows:

4.50.010. ADMINISTRATION OF CERTAIN BENEFIT PROGRAMS

Consistent with annual budgets of the City and other applicable City law, the Personnel Director is hereby authorized and directed to:

A. Enter into agreements for dental, life, long-term disability, and voluntary accidental death and dismemberment insurance benefits with such providers as he or she may determine to be the most responsive providers for such benefits;

B. Administer and make such modifications to the City's group life, long-term disability, and voluntary accidental death and dismemberment insurance coverages for the betterment of eligible City officers' and employees' health and welfare for represented employees whose unions have negotiated benefit changes, and for nonrepresented employees as the Personnel Director deems appropriate, provided such modifications fall within biennial budget limitations established by the City Council;

C. Enter into agreements with one (1) or more medical and hospitalization benefits providers, at least one (1) of which shall be a health maintenance organization, (and)

D. Administer and make such modifications to the City's medical plans and group dental plans, for the betterment of eligible City officers' and employees' health and welfare as may be agreed upon by the Joint Labor-Management Health Care Committee for employees whose union representatives are a party to the memorandum of understanding forming that committee, for represented employees whose unions are not a party to the memorandum of understanding but have negotiated benefit changes otherwise, and for nonrepresented employees as the Personnel Director deems appropriate, provided such modifications fall within biennial budget limitations established by the City Council; and

E. Administer medical and dental health care plans on a self-insured basis pursuant to authority of Chapter 48.62 RCW.

SECTION 3 This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 22nd day of November, 1999, and signed by me in open session in authentication of its pas-